
State Implementation of Federal Health Care Reforms

House Health Policy Committee – May 25, 2010

Ken Ross, Commissioner
Michigan Office of Financial and Insurance Regulation

Janet Olszewski, Director
Michigan Department of Community Health

Implementation Issues

Immediate Issues

- High Risk Pool Mechanism
- Market Reforms
- Health Insurance Ombudsman
- Medical Loss Ratio Definition

Implementation Issues

- HHS Web Portal
- Health Insurance Exchange
- Health Insurance Compacts
- Health Insurance Cooperatives
- Federal Role in Rate Oversight

3

High Risk Pool

- What is it?
- Absolutes
 - No creditable coverage for at least 6 months
 - Pre-existing condition
 - Citizen or legal resident

4

High Risk Pool

- Michigan – high risk pool mechanism
 - Contracting authority
- OFIR Soliciting Industry Perspectives
 - Gauge interest
 - Framework
 - Next steps
- \$5bb available nationwide

5

Market Reforms

September 23rd Reforms

- Dependent coverage for children up to age 26*
- No lifetime limits on dollar value of coverage*
- Annual dollar limits as permitted by HHS*
- No rescinding coverage absent fraud*
- No cost sharing for preventive health services and immunizations
- Ban pre-existing condition exclusions for children
- Ban on excluding children

6

Market Reforms

Effective January 1, 2014:

- Guaranteed issue, renewability
- No pre-existing condition exclusion; rates prohibited from varying by health status
- Individual and employer mandates

7

Health Insurance Ombudsman

- Consumer inquiries and/or complaints
- Complaints and appeals – internal and external
- Track complaint information
- Educate consumers on rights and responsibilities
- Enrollment assistance

- Collect and report information to HHS
- HHS to use for enforcement actions as necessary
 - HHS, States, DOL, Treasury enforcement
- \$30mm grants nationwide

8

Medical Loss Ratio Definition

- HHS to develop in consultation with NAIC
- Being vetted by one of several NAIC working groups
- NAIC comments requested by June 1st
- Insurers must report proportion of premium dollars spent on clinical services, quality and non-claims costs, for plan years beginning in 2010.
- Starting in 2011, insurers must issue annual **rebate** unless:
 - 85% of premium revenue for large group plans
 - 80% of premium revenue – small group & individual plans

9

HHS Web Portal

- “Establish immediately a mechanism, including an internet website, through which a resident of, or small business in, any State may identify affordable health insurance coverage options in that State”

Section 1103(a), as amended by section 10102(b)

10

HHS Web Portal

■ For July 1 Release

- Contact information
- List of all products from state form filings
- Market type and product type
- Whether they are open for enrollment/number enrolled
- Link to benefit summaries

■ For October Release

- All open plans
- Benefits
- Pricing
- Plan contact Information

11

Health Insurance Exchanges

■ Goals

- Product/price comparison
- Standardized benefit packages
- Affordability via federal tax credits and subsidies
- Virtual marketplace – access online/call center

■ Operational by 2014

- Start up grants will be available for planning & implementation – amount not set forth

12

Health Insurance Exchanges

- Basic health plan - four levels of coverage
 - Bronze 60% actuarial equivalent
 - Silver 70%
 - Gold 80%
 - Platinum 90%
- Bronze package would cost and cover the least and the platinum would cost and cover the most.
- Each policy will have to cover essential services such as doctor visits, hospitalization, prescription drugs, maternity and diagnostic services.

13

Health Care Choice Compacts

- Two or more states may enter into an agreement to allow for purchase of qualified health plans across state lines, beginning in 2016.
- Builds on framework of authority in U.S. Constitution, art. I, §10, cl 3

No State shall, without the Consent of Congress, . . . enter into any Agreement or Compact with another State . . .

14

Consumer Operated and Oriented Plan “CO-OP”

- A non-profit, member-run health insurer offering qualified health plans through an Exchange.
- Can't be an existing health insurer or sponsored by state or local government.
- Governance of the organization must be subject to a majority vote of its members and it must operate with a strong consumer focus.
- The co-op must be established by July 1, 2013.
- \$6bb appropriated nationwide

15

Federal Role in Rate Review

- Section 2794 – HHS shall establish a process for
 - Beginning in 2010
 - Annual review of “unreasonable increases” in premiums
 - Insurers submit to HHS
 - Justification for unreasonable premium increases
 - Before the rates take effect
 - “Prominent display” on insurer’s Web sites
 - States provide data to HHS – premium trends
 - Beginning in 2014
 - HHS monitor “premium increases” inside and outside Exchanges
- Grant funding available - \$250mm nationwide

16

Federal Role in Rate Review

■ Unknowns

- State – HHS interplay
 - Prior review
- Level of HHS review
- Rate review tools – Federal
 - “spotlight”
 - Pattern or practice of excessive or unjustified premium increases
 - States obliged to recommend exclusion from Exchange

17

Federal Role in Rate Review

■ Rate review options in addition to Prior Approval

- Have other agencies review rates in addition to DOI
- Rate increases outside safe harbor subject to heightened review and/or more onerous rate review standards
- Public notice requirements
- Require public hearings in advance of approval
- Non-actuarially based reasons for rate reductions
- Independent rate advocate
 - Independent from Regulatory agency
 - Independent review & intervention authority
 - Funding by separate appropriation
 - Similar to AG's Special Litigation Division; BCBSM special intervenor status

18

Health Insurance Reform Coordinating Council

The Council consists of:

- Director, Department of Community Health*
- Director, Department of Human Services
- Director, Department of Technology, Management and Budget
- State Budget Director
- State Personnel Director
- Director, Office of the State Employer
- Commissioner, Financial and Insurance Regulation
- Director, Medical Services Administration within MDCH

**Chairs the council*

19

Health Insurance Reform Coordinating Council

■ Responsibilities include:

- Identify and recommend mechanisms to assure coordinated, efficient implementation
- Engage relevant stakeholders to assist in developing implementation recommendations
- Develop recommendations for implementation of a health insurance exchange
- Analyze impact of federal law on state departments, agencies
- Identify federal grants, pilot programs and other non-state funding sources to assist with implementation
- Recommend executive action or legislation for effective and efficient implementation

www.michigan.gov/healthcarereform

20

FY 10 State as Employer Activities

- Dependent coverage to age 26 for state employees/retirees no later than Sept. 23, 2010
- Temporary Reinsurance Program
 - Reimburse employers 80% of early retiree (age 55-64) claims between \$15,000 and \$90,000
 - Payments must be used to lower costs of the plan and cannot go to the General Fund
 - Must submit an application and be certified by the Secretary of HHS
 - After certification reimbursement requests may be submitted
- CLASS Act Payroll Deduction planning efforts

21

FY 10 Community Health Program Activities

- Pursue funding opportunities
 - Home visitation programs
 - Pregnancy prevention
 - Chronic disease prevention and wellness programs
 - Aging and disability resource centers
 - Workforce initiatives
- Pursue public-private partnerships to obtain demonstration for
 - Patient-Centered Medical Home
 - Accountable Care Organizations
 - Payment reform initiatives - Medicaid

22

Medicaid

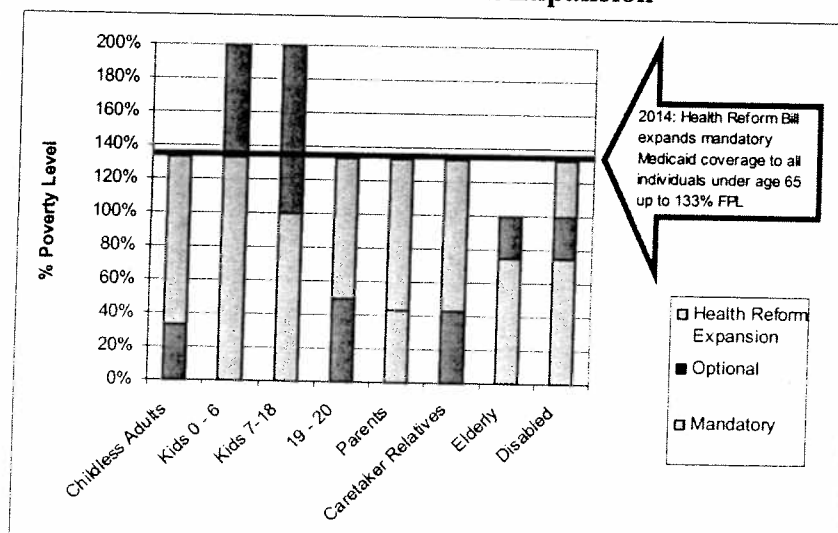
- Evaluate new opportunities related to long term care services
 - New option (Community First Choice) to provide attendant supports and services to people requiring institutional level of care
 - Movement of Home and Community Based Services from waiver to state plan service
 - Opportunity for Michigan to obtain incentive payments to increase community based services
 - Health homes for people with chronic conditions
- Plan for coverage expansion

23

Current MI Medicaid & CHIP Eligibility

+

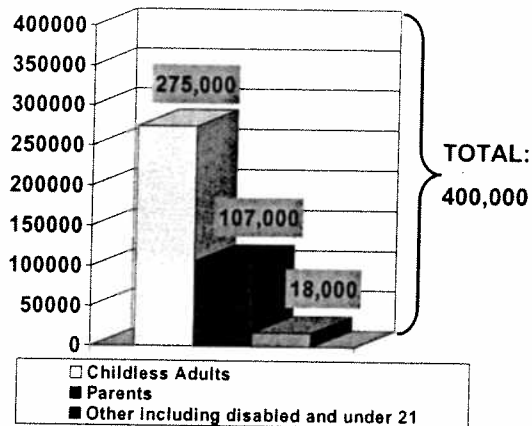
Health Care Reform Expansion



24

Estimated Enrollment of Newly Eligible Beneficiaries

Health Care Reform Bill expands mandatory Medicaid coverage to all individuals under age 65 up to 133% of the FPL (\$29,327 for a family of four).



25

Medicaid Expansion

- Questions to be answered:
 - Benefit Package (Medicaid vs. benchmark)
 - How to integrate with insurance exchanges
 - What will eligibility process look like?
 - Different eligibility standards for expansion group (modified adjusted gross income vs. categorical)
 - Payment rates for providers, particularly physicians

26